

Statement
Insurance Association of Connecticut

Labor and Public Employees Committee

February 10, 2011

SB 23, An Act Concerning Employees Injured Between 1993 And 2006
And Social Security Offsets Under The Workers' Compensation Act

The Insurance Association of Connecticut opposes SB 23, An Act Concerning Employees Injured Between 1993 And 2006 And Social Security Offsets Under The Workers' Compensation Act, as it would have a costly and unfair retroactive impact on workers' compensation insurers.

As part of reform legislation passed in 1993, the General Assembly established a Social Security offset to be taken against certain Workers' Compensation benefits. The offset was eliminated in 2006 by the General Assembly.

SB 23 would provide that individuals who were injured during that time period, and who as of October 1, 2011, are collecting workers' compensation benefits for total incapacity, would no longer have a Social Security offset against those benefits for future payments.

Under the Workers' Compensation Act, benefits are controlled by the prevailing law at the time of injury. Similarly, from an insurance standpoint, workers' compensation is not a "pay-as-you-go" program. The rates charged by an insurer for a particular year are intended to cover the ultimate expected losses from injuries in that year, based on the rules of the workers' compensation system at that time.

If SB 23 passes, insurers will be required to pay benefits for which they did not collect any premiums. Premiums from 1993 to 2006 were based in part on the existence of the offset in statute. Insurers also did not reserve for those additional benefits, because the potential liability did not exist under the law at the time of injury. In addition, insurers would not be permitted to correspondingly increase their current premiums to reflect the new benefit expenses created by SB 23.

The retroactive burden which SB 23 would create was not foreseeable by insurers, and the imposition of such a liability would be fundamentally unfair. Carriers would in effect be penalized financially for following the laws of the state. Such a result would only serve to bring uncertainty to the workers' compensation insurance marketplace, to the detriment of the state's employers.

IAC urges rejection of SB 23.